

## REGULATIONS APLENTY FOR HOME BUISNESSES

Having a home based business has long been a popular option, whether for a full-time living or as a side income. With the advent of the Internet, e-Bay, teleconferencing and web-conferencing, conducting business out of the home is even more viable and the types of businesses even more variable.

Operating a business out of the home is just as regulated as operating a brick and mortar store, sometimes, it seems, even more regulations apply. The basic regulatory compliance items include obtaining a business license, registering you business name, filing articles for a corporation or LLC if applicable, obtaining a sales tax number and for those business which have employees obtaining federal and state EIN numbers, registering with the Department of Workforce Services and getting workers compensation insurance.

Quite a few businesses are home-based without realizing that they are home-based. Contractors, plumbers, electricians,

landscapers and others who provide services at the customer's site, but list their home address as the business address are home-based businesses and need to have a business license for that address.

Most communities regulate home occupation activities and the restrictions will vary from community to community. For example, Brigham City's application for a home occupation permit includes questions regarding whether clients, large delivery vehicles and employees will be coming to the home. Ogden City restricts the sale of wholesale or retail goods from the home premises. Farmington City restricts the number of students in the home at one time for dance or music instruction.

Most cities look closely at the effect your business will have on the neighborhood. Noise, dust, odors, traffic or hazardous elements will be restricted. That may mean that having a woodworking business in the garage will be restricted due to noise and dust unless you are able to

prove that you are preventing those nuisances. Obviously a chemical laboratory that may be subject to explosions would also be restricted. The city will send out a zoning inspector to look at and evaluate your impact on the neighborhood. You may also need to get neighbors within a certain radius to give approval to the city.

Certain home-based businesses have additional compliance requirements that are regulated by other agencies. For example, home day care centers are regulated by the Department of Health and are subject to quite a list of rules including windows, paint and animals.

In the past, producing food products in the home required a separate kitchen away from the family cooking, as well as a separate entrance and all the plumbing, equipment and sanitation requirements that a commercial kitchen must have. The Department of Agriculture now has a cottage food product application that can make preparation of certain food

products out of the home somewhat easier, still highly regulated, but easier.

Recently, we saw a business that sold lingerie and intimate toys through home parties, denied a business license for her home address. Even though the business would be making the sales at customer's locations rather than her home address, it fell into a restricted business category and was denied the license.

If your business is not currently licensed in the city or county where it is located, contact the business licensing department right away. Expect it to take several weeks to get approved for the license while they send out inspectors and review the impact to the neighborhood.

If you need to register your business name, file articles for the business entity, get a sales tax number and EIN numbers, go to

[www.commerce.utah.gov](http://www.commerce.utah.gov) and click on the One-Stop business registration. This simple two-day process is an easy way to get everything completed in one step.

Remember that filing your articles to become a corporation or a limited liability company only completes the legal paperwork with the state. You also need to have bylaws or an operating agreement in your personal file. These documents are very important to establish guidelines for adding partners, removing partners, dissolving the business and more. Should your business ever be sued, not having these papers and not being able to prove that you have operated the business as a separate entity from your personal life, would give the courts the ability to "pierce the corporate veil" and remove the liability protection that you thought you were receiving with your business entity choice.

Finally, the IRS looks very closely at the tax write-offs on home-based businesses. Yes, many home-based businesses can deduct expenses for use of the home. Be careful though. Should you be audited, your expenses may be thrown out as excessive or your business may be classified as a hobby rather than a business restricting the ability to claim business losses.

Finally, as always, this article is not long enough to give in-depth information. If you need more advice, contact a my office at 801-626-7232 or our local SCORE office at 801-629-8613 for advice.

By Beverly King  
Small Business Development  
Center  
Weber State University  
801-626-7232  
[Bking1@weber.edu](mailto:Bking1@weber.edu)